

Assembly Bill No. 1286

CHAPTER 76

An act to add Section 401.12 to, and to add and repeal Sections 401.10 and 401.11 of, the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor June 27, 1996. Filed with
Secretary of State June 28, 1996.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1286, Takasugi. Property taxation: intercounty pipeline rights-of-way: assessment.

Existing property tax law requires the county assessor to assess all property that is subject to taxation at its full value.

This bill would establish a rebuttable presumption in favor of a full cash value assessment for an intercounty pipeline right-of-way for any of the 1984–85 to 2000–01 tax years, inclusive, provided that certain specified valuation standards are met in determining that assessed value. The bill would also provide that the determined values shall be rebuttably presumed to be correct if these specific methodologies are used and would bar any right of the taxpayer to challenge these valuations.

This bill would also provide, for those same tax years, that escape assessments may be made and that refunds shall be made on the basis of these specified valuation standards. The bill would also provide that the provisions of the bill are superseded by any settlement agreement entered into prior to the effective date of these provisions between a taxpayer and a county with respect to the assessment of any intercounty pipeline right-of-way.

This bill would make legislative findings and declarations with respect to the local assessment of intercounty pipeline rights-of-way, and would state the intent of the Legislature in enacting these provisions.

This bill would declare that it is to take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares the following:

(a) As a result of recent court decisions, one of the most difficult and contentious property tax assessment issues of recent years has been the proper assessment of intercounty pipeline rights-of-way.

(b) During a difficult period of legal and administrative transition, in order to avoid protracted litigation, provide necessary guidance to local taxing authorities, and to assure taxpayers of consistent and fair treatment, it is essential to state and clarify appropriate standards for the assessment of intercounty pipeline rights-of-way.

(c) It is the intent of the Legislature in enacting Sections 2 to 4, inclusive, of this act, to provide statutory clarification to ensure that proper and consistent assessment practices are followed in determining values for intercounty pipeline rights-of-way in accordance with those specific valuation standards that reflect the constitutionally required assessment of intercounty pipeline rights-of-way at their full value.

SEC. 2. Section 401.10 is added to the Revenue and Taxation Code, to read:

401.10. (a) Notwithstanding any other provision of law relating to the determination of the values upon which property taxes are based, values for each tax year from the 1984–85 tax year to the 2000–01 tax year, inclusive, for intercounty pipeline rights-of-way on publicly or privately owned property, including those rights-of-way that are the subject of a change in ownership, new construction, or any other reappraisable event during the period March 1, 1975, to June 30, 2001, inclusive, shall be rebuttably presumed to be at full cash value for that year, if all of the following conditions are met:

(1) (A) The full cash value is determined to equal a 1975–76 base year value, annually adjusted for inflation in accordance with subdivision (b) of Section 2 of Article XIII A of the California Constitution, and the 1975–76 base year value was determined in accordance with the following schedule:

(i) Twenty thousand dollars (\$20,000) per mile for a high density property.

(ii) Twelve thousand dollars (\$12,000) per mile for a transitional density property.

(iii) Nine thousand dollars (\$9,000) per mile for a low density property.

(B) For purposes of this section, the density classifications described in subparagraph (A) are defined as follows:

(i) “High density” means Category 1 (densely urban) as established by the State Board of Equalization.

(ii) “Transitional density” means Category 2 (urban) as established by the State Board of Equalization.

(iii) “Low density” means Category 3 (valley-agricultural), Category 4 (grazing), and Category 5 (mountain and desert) as established by the State Board of Equalization.

(2) The full cash value is determined utilizing the same property density classifications that were assigned to the property by the State Board of Equalization for the 1984–85 tax year or, if density classifications were not so assigned to the property for the 1984–85 tax

year, the density classifications that were first assigned to the property by the board for a subsequent tax year.

(3) (A) If a taxpayer owns multiple pipelines in the same right-of-way, an additional 50 percent of the value attributed to the right-of-way for the presence of the first pipeline, as determined under paragraphs (1) and (2), shall be added for the presence of each additional pipeline up to a maximum of two additional pipelines. For any particular taxpayer, the total valuation for a multiple pipeline right-of-way shall not exceed 200 percent of the value determined for the right-of-way of the first pipeline in the right-of-way in accordance with paragraphs (1) and (2).

(B) If the State Board of Equalization has determined that an intercounty pipeline, located within a multiple pipeline right-of-way previously valued in accordance with subparagraph (A), has been abandoned as a result of physical removal or blockage, the assessed value of the right-of-way attributable to the last pipeline enrolled in accordance with subparagraph (A) shall be reduced by not less than 75 percent of that increase in assessed value that resulted from the application of subparagraph (A).

(4) If all pipelines of a taxpayer located within the same pipeline right-of-way, previously valued in accordance with this section, are determined by the State Board of Equalization to have been abandoned as the result of physical removal or blockage, the assessed value of that right-of-way to that taxpayer shall be determined to be no more than 25 percent of the assessed value otherwise determined for the right-of-way for a single pipeline of that taxpayer pursuant to paragraphs (1) and (2).

(b) If the assessor assigns values for any tax year from the 1984–85 tax year to the 2000–01 tax year, inclusive, in accordance with the methodology specified in subdivision (a), the taxpayer’s right to assert any challenge to the right to assess that property, whether in an administrative or judicial proceeding, shall be deemed to have been raised and resolved for that tax year and the values determined in accordance with that methodology shall be rebuttably presumed to be correct. If the assessor assigns values for any tax year from the 1984–85 tax year to the 2000–01 tax year, inclusive, in accordance with the methodology specified in subdivision (a), any pending taxpayer lawsuit that challenges the right to assess the property shall be dismissed by the taxpayer with prejudice as it applies to intercounty pipeline rights-of-way.

(c) Notwithstanding any change in ownership, new construction or decline in value occurring after March 1, 1975, if the assessor assigns values for rights-of-way for any tax year from the 1984–85 tax year to the 2000–01 tax year, inclusive, in accordance with the methodology specified in subdivision (a), the taxpayer may not challenge the right to assess that property and the values determined

in accordance with that methodology shall be rebuttably presumed to be correct for that property for that tax year.

(d) Notwithstanding any change in ownership, new construction, or decline in value occurring after March 1, 1975, if the assessor does not assign values for rights-of-way for any tax year from the 1984–85 tax year to the 2000–01 tax year, inclusive, at the 1975 base year values specified in subdivision (a), any assessed value that is determined on the basis of valuation standards that differ, in whole or in part, from those valuation standards set forth in subdivision (a) shall not benefit from any presumption of correctness, and the taxpayer may challenge the right to assess that property or the values for that property for that tax year. As used herein, a challenge to the right to assess shall include any assessment appeal, claim for refund, or lawsuit asserting any right, remedy, or cause of action relating to or arising from, but not limited to, the following or similar contentions:

(1) That the value of the right-of-way is included in the value of the underlying fee or railroad right-of-way.

(2) That assessment of the value of the right-of-way to the owner of the pipeline would result in double assessment.

(3) That the value of the right-of-way may not be assessed to the owner of the pipeline separately from the assessment of the value of the underlying fee.

(e) Notwithstanding any other provision of law, during a four-year period commencing on the effective date of this section, the assessor may issue an escape assessment in accordance with the specific valuation standards set forth in subdivision (a) for the following taxpayers and tax years:

(1) Any intercounty pipeline right-of-way taxpayer who was a plaintiff in *Southern Pacific Pipe Lines, Inc. v. State Board of Equalization* (1993) 14 Cal. App. 4th 42, for the tax years 1984–85 to 1996–97, inclusive.

(2) Any intercounty pipeline right-of-way taxpayer who was not a plaintiff in *Southern Pacific Pipe Lines, Inc. v. State Board of Equalization* (1993) 14 Cal. App. 4th 42, for the tax years 1989–90 to 1996–97, inclusive.

(f) Any escape assessment levied under subdivision (e) shall not be subject to penalties or interest under the provisions of Section 532. If payment of any taxes due under this section is made within 45 days of demand by the tax collector for payment, the county shall not impose any late payment penalty or interest. Taxes not paid within 45 days of demand by the tax collector shall become delinquent at that time, and the delinquent penalty, redemption penalty, or other collection provisions of this code shall thereafter apply.

(g) For purposes of this section, “intercounty pipeline right-of-way” means, except as otherwise provided in this subdivision, any interest in publicly or privately owned real property through which or over which an intercounty pipeline is placed.

However, “intercounty pipeline right-of-way” does not include any parcel or facility that the State Board of Equalization originally separately assessed using a valuation method other than the multiplication of pipeline length within a subject property by a unit value determined in accordance with the density category of that subject property.

(h) This section shall remain in effect only until January 1, 2001, and, as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2001, deletes or extends that date.

SEC. 3. Section 401.11 is added to the Revenue and Taxation Code, to read:

401.11. (a) Notwithstanding any other provision of the law to the contrary, refunds or payments of taxes, where applicable, for intercounty pipeline right-of-way property which is subject to local assessment pursuant to the decision in *Southern Pacific Pipe Lines, Inc. v. State Board of Equalization* (1993) 14 Cal. App. 4th 42, shall be treated as follows for taxpayers and tax years described below:

(1) The tax refund claims which are subject to this subdivision are the tax refund claims for the following taxpayers and tax years:

(A) Tax refund claims of any taxpayer who was a plaintiff in *Southern Pacific Pipe Lines, Inc. v. State Board of Equalization* (1993) 14 Cal. App. 4th 42, for tax years 1984–85 to 1996–97, inclusive, which were not included in the judgment for the taxpayer.

(B) Tax refund claims of any taxpayer who was not a plaintiff in *Southern Pacific Pipe Lines, Inc. v. State Board of Equalization* (1993) 14 Cal. App. 4th 42, for tax years 1989–90 to 1996–97, inclusive.

(2) If taxes due on local assessments, as calculated under Section 401.10, are less than the total taxes paid by the taxpayer for that year, based on either the original State Board of Equalization assessments or escape assessments made by the local assessor, or both, the county shall refund the difference. Simple interest at the rate of 8 percent shall be paid by the county on any overpayment for the period from the date of the tax payment resulting in the overpayment through December 31, 1992. Simple interest at the county’s pooled apportioned rate shall be paid by the county on any overpayment for the period from January 1, 1993, through the date which is 45 days prior to payment in full. No interest shall be payable for the 45-day period immediately prior to payment in full. For purposes of this subdivision, payment shall be deemed to be timely if made 45 days after the effective date of this section.

(3) If payment of any taxes due under this subdivision is made within 45 days of billing by the tax collector for payment, the county shall not impose late payment penalties or interest. Taxes not paid within 45 days of billing by the tax collector shall become delinquent at that time, and the delinquent penalty, redemption penalty, or other collection provisions of this code shall thereafter apply.

(b) Notwithstanding any other provision of law, the judgment obligation of each judgment debtor under the judgment entered in *Southern Pacific Pipe Lines, Inc. v. State Board of Equalization* (1993) 14 Cal. App. 4th 42 shall be deemed fully satisfied with respect to a judgment creditor if a debtor county makes timely payment to that judgment creditor of the amount calculated pursuant to this subdivision. For purposes of this subdivision, a payment shall be deemed to be timely if made 45 days after the effective date of this section. For purposes of this subdivision, the amount that shall be paid to satisfy the judgment is the total of the amounts awarded to the judgment creditor against the debtor county in paragraphs 5, 6, 7, and 8 of the judgment entered in *Southern Pacific Pipe Lines, Inc. v. State Board of Equalization* (1993) 14 Cal. App. 4th 42, together with postjudgment interest thereon; however, no interest shall be due for the 45-day period immediately prior to payment in full. For purposes of this subdivision, postjudgment interest shall be calculated at 7 percent; however, postjudgment interest shall be calculated at the county's then effective county pooled apportioned rate for the following periods of time: July 1, 1993 to April 30, 1994, inclusive; and January 1, 1995, until 45 days prior to the date of payment in full.

(c) Any refund or billing for payment made pursuant to this section may be made on the basis of a single, countywide parcel per taxpayer as described in Section 401.8.

(d) This section shall remain in effect only until January 1, 2000, and, as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2000, deletes or extends that date.

SEC. 4. Section 401.12 is added to the Revenue and Taxation Code, to read:

401.12. Sections 401.10 and 401.11 do not abrogate, rescind, preclude, or otherwise affect any separate settlement agreement entered into prior to the effective date of those sections between a county and an intercounty pipeline right-of-way taxpayer concerning the subject matter of Sections 401.10 and 401.11. In the event of a conflict between any settlement agreement and the provisions of Sections 401.10 and 401.11, the settlement agreement shall control.

SEC. 5. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide guidance and clarification that is essential to the fair and efficient taxation of intercounty pipeline rights-of-way, it necessary that this act take effect immediately.